

Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 ADP-00 AID-20 CIAE-00 COME-00 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 CIEP-02

LAB-06 SIL-01 OMB-01 NSC-10 SS-15 STR-08 CEA-02 INT-08

PA-03 PRS-01 USIA-12 RSR-01 /159 W

----- 077166

R 131445Z JUL 73

FM AMEMBASSY STOCKHOLM

TO SECSTATE WASHDC 396

INFO AMEMBASSY COPENHAGEN

AMEMBASSY HELSINKI

AMEMBASSY OSLO

USMISSION EC BRUSSELS

USMISSION OECD PARIS

UNCLAS STOCKHOLM 2426

E.O.11652: N/A

TAGS: BEXP EIND SW

SUBJECT: SWEDISH GOVERNMENT PLANS NEW LARGE STEELWORKS

REF: A. STOCKHOLM A-272, JUNE 29, 1973, AND PREVIOUS

B. STOCKHOLM A-323, AUGUST 11, 1972

C. 10 FAM 947

SUMMARY: TWO MAJOR SWEDISH STEEL INVESTMENT PLANS ANNOUNCED RECENTLY MAY PROVIDE GOOD EXPORT OPPORTUNITIES FOR US SUPPLIERS OF STEELMAKING AND PERIPHERAL EQUIPMENT. END SUMMARY

1. INDUSTRY MINISTER RUNE JOHANSSON CONFIRMED JULY 12 RECENT TV NEWSCAST DISCLOSURE OF GOS PLANS TO CONSTRUCT NEW ORE-BASED STEELWORKS AT LULEA ON NORTHEAST COAST OF COUNTRY AT ESTIMATED COST OF \$500-600 MILLION AND CAPACITY OF ABOUT 4 MILLION TONS CRUDE STEEL ANNUALLY. SOME 2,000 NEW JOBS WOULD BE CREATED.

2. THIS PROJECT REPORTEDLY INITIATED BY FORMER SANDVIK STEELWORKS

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CHIEF WILHELM HAGLUND, WHO CONTENTS THAT MORE SWEDISH IRON ORE SHOULD BE REFINED WITHIN SWEDEN. AT PRESENT, 30 OF 35 MILLION TONS

OF ORE MINED ANNUALLY ARE EXPORTED. LULEA SUITABLE SITE BECAUSE (A) IT LIES ON COAST, (B) IT ALREADY HAS GOOD RAIL CONNECTIONS WITH MINES, AND (C) EXISTING GOVERNMENT-OWNED STEELWORKS THERE (NORRBOTTENS

JARNVERK AB, NJA) IS IN PROCESS OF CONSTRUCTING LARGE COKING PLANT (SEE REF B). MOST OF NEW PLANT'S STEEL WOULD BE EXPORTED TO EUROPEAN CONTINENTAL USERS, THUS BENEFITING FROM AGREEMENT SIGNED BETWEEN SWEDISH AND EUROPEAN COAL AND STEEL COMMUNITY IN 1972.

3. MINISTER JOHANSSON COMMENTED: "PLANS FOR NEW STEELWORKS AT LULEA HAVE BEEN DISCUSSED BY GOVERNMENT AND NJA MANAGEMENT FOR ABOUT 2 YEARS. NJA HAS CARRIED OUT STUDIES IN CONTACT WITH STATSFORETAG (GOVERNMENT HOLDING COMPANY). PRELIMINARY COST ESTIMATES INDICATE THAT NJA ALONE OR TOGETHER WITH STATSFORETAG CANNOT FINANCE PROJECT. THIS MUST BE DONE EXTERNALLY. WE HAVE NOT YET DECIDED WHERE MONEY IS TO COME FROM. WE HOPE TO DECIDE ON THIS IN THE FALL."

4. NEWSCAST ALSO STATED THAT PENSION FUND MONEY WOULD BE USED TO HELP FINANCE PROJECT AND THAT PROJECT WAS PART OF SOCIAL DEMOCRATIC CAMPAIGN FOR SEPTEMBER ELECTIONS. MINISTER JOHANSSON WAS UNWILLING TO SAY WHETHER OR NOT GOVERNMENT WOULD APPROVE PLANS BEFORE ELECTION.

5. EDITORIAL COMMENTS, WHILE CRITICIZING TIMING OF DISCLOSURE AS ELECTION YEAR PLOY HAVE BEEN POSITIVE IN TONE, THOUGH RESERVED FOR LACK OF SUFFICIENT INFORMATION. THIS IS SURPRISING SINCE EXISTING NJA STEELWORKS HAVE LONG BEEN RUNNING AT LOSS. PREDICTABLY, INDUSTRY REPRESENTATIVES HAVE BEEN MORE CRITICAL, QUESTIONING EXPORT DEMAND AND PROJECTED GROWTH OF DOMESTIC CONSUMPTION OF CRUDE STEEL. DISCUSSING THESE QUESTIONS IN FEBRUARY 1971, SWEDISH IRONMASTERS' ASSOCIATION WROTE: "COMMITTEE CONSIDERS IT QUITE OUT OF QUESTION THAT SWEDEN WILL HAVE ANY NEW BLAST-FURNACE-BASED COMMERCIAL STEEL PLANT IN COUNTRY BEFORE END OF CENTURY. SMALLEST PROFITABLE PRODUCTION SCALE FOR SUCH A PLANT IS NOW SO LARGE - ABOUT 4 MILLION TONS CRUDE STEEL-THAT ALL EXPECTED PRODUCTION GROWTH OF COMMERCIAL STEEL DURING REMAINDER OF CENTURY WOULD HAVE TO FALL TO NEW PLANT. RESULT WOULD BE THAT CONSIDERABLE PART OF OUR EXISTING STEEL INDUSTRY, INCLUDING ONE OR MORE LARGER PLANTS, WOULD HAVE TO BE CLOSED DOWN."

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6. NJA MANAGING DIRECTOR JOHN OLOF EDSTROM ANNOUNCED JULY 7 THAT COMPANY PLANNED TO INVEST ABOUT \$250 MILLION BY 1980, PROVIDING SOME 1,800 NEW JOBS. MAIN PROJECTS OF PROGRAM ARE NEW LD CONVERTER AND ROLLING MILL. CURRENT INVESTMENT PROGRAM FOR SOME \$210 MILLION WILL BE COMPLETED IN 1974. PRESENT STEEL BOOM EXPECTED TO BRING PROFIT TO COMPANY THIS YEAR FOR FIRST TIME SINCE 1960.

7. NEW STEEL MILL, IF BUILT, AND OTHER NJA INVESTMENT PLANS OFFER PROMISING EXPORT OPPORTUNITIES TO ALERT US SUPPLIERS OF

STEELMAKING AND PERIPHERAL EQUIPMENT.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 13 JUL 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973STOCKH02426
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: STOCKHOLM
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730734/aaaaayqa.tel
Line Count: 117
Locator: TEXT ON-LINE
Office: ACTION EB
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 73 A. STOCKHOLM A-272, JUNE 29, 1973, , AND PREVIOUS
Review Action: RELEASED, APPROVED
Review Authority: kelleyw0
Review Comment: n/a
Review Content Flags:
Review Date: 19 DEC 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <19-Dec-2001 by phillir0>; APPROVED <13 MAR 2002 by kelleyw0>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: SWEDISH GOVERNMENT PLANS NEW LARGE STEELWORKS
TAGS: BEXP, EIND, SW
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005